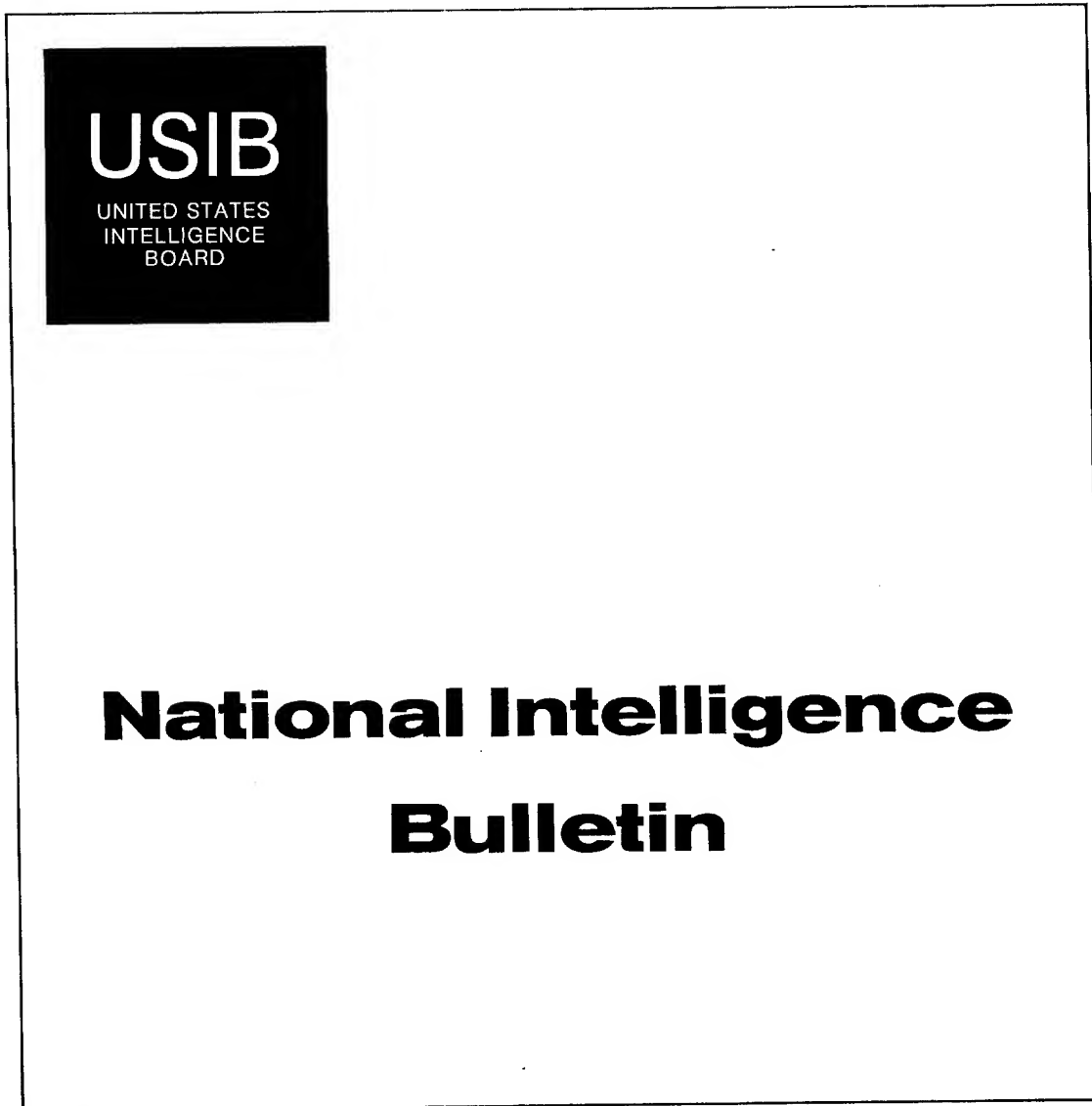


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State Dept. review completed

DIA review(s) completed.

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GREECE-TURKEY-CYPRUS

The UN Security Council meets today in special session to take up the Cyprus issue. Acting Cypriot President Clerides requested the special meeting to discuss the refugee problem on Cyprus. Turkish Cypriot leader Denktash, the vice president of Cyprus, has declared, meanwhile, that Clerides did not have his formal approval and therefore lacked legal authority to make such a request.

The US mission at the UN considers it unlikely that debate can be confined to the narrow issue of refugees, especially if Secretary General Waldheim presents a report on the findings on his recent trip. There is the possibility, however, that the Soviets may seize the opportunity to try to advance their proposal to involve the Security Council in a peace conference.

Greece and the Greek Cypriots have already accepted the Soviet proposal, while Turkey has rejected it. There have been indications, however, that the Greeks are not fully sold on the Soviet plan. Moreover, a close adviser to acting Cypriot President Clerides privately told the US embassy in Nicosia that his government does not expect the Soviet proposal to produce a solution, but does see it as an opportunity to broaden support for its own cause.

Turkish Cypriot leader Denktash yesterday told the US embassy in Nicosia that his remarks on the subject of an independent state had been misquoted. According to Denktash, he was trying to say that, while he wants a federal solution, the Turkish sector will have to go its own way if that proves impossible. Indeed, Denktash has issued a public statement that he intended no ultimatum and was setting no deadline for the formation of an independent state. Pressure from Ankara may be responsible for Denktash's more moderate tone.

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Foreign Minister Mavros, in Athens, has formally requested [redacted] that the EC renew those aspects of the association agreement of 1962 that were suspended following the Greek military coup in 1967. The Greeks are not applying for full membership in the EC, but such a request is possible depending on Athens' reading of EC sentiment.

The Soviets appear to suspect that Greek withdrawal from NATO might not have an appreciable impact on US facilities, and they are quietly passing the word to Greek diplomats that Athens ought to expel the US military from Greece.

[redacted]

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USSR

The Soyuz 15 spacecraft with two cosmonauts aboard was brought down yesterday evening after only two days in orbit. According to Tass, the recovery operations went normally and the cosmonauts are in good health.

The mission was cut short following an attempt on Tuesday to dock with the Salyut 3 space station.

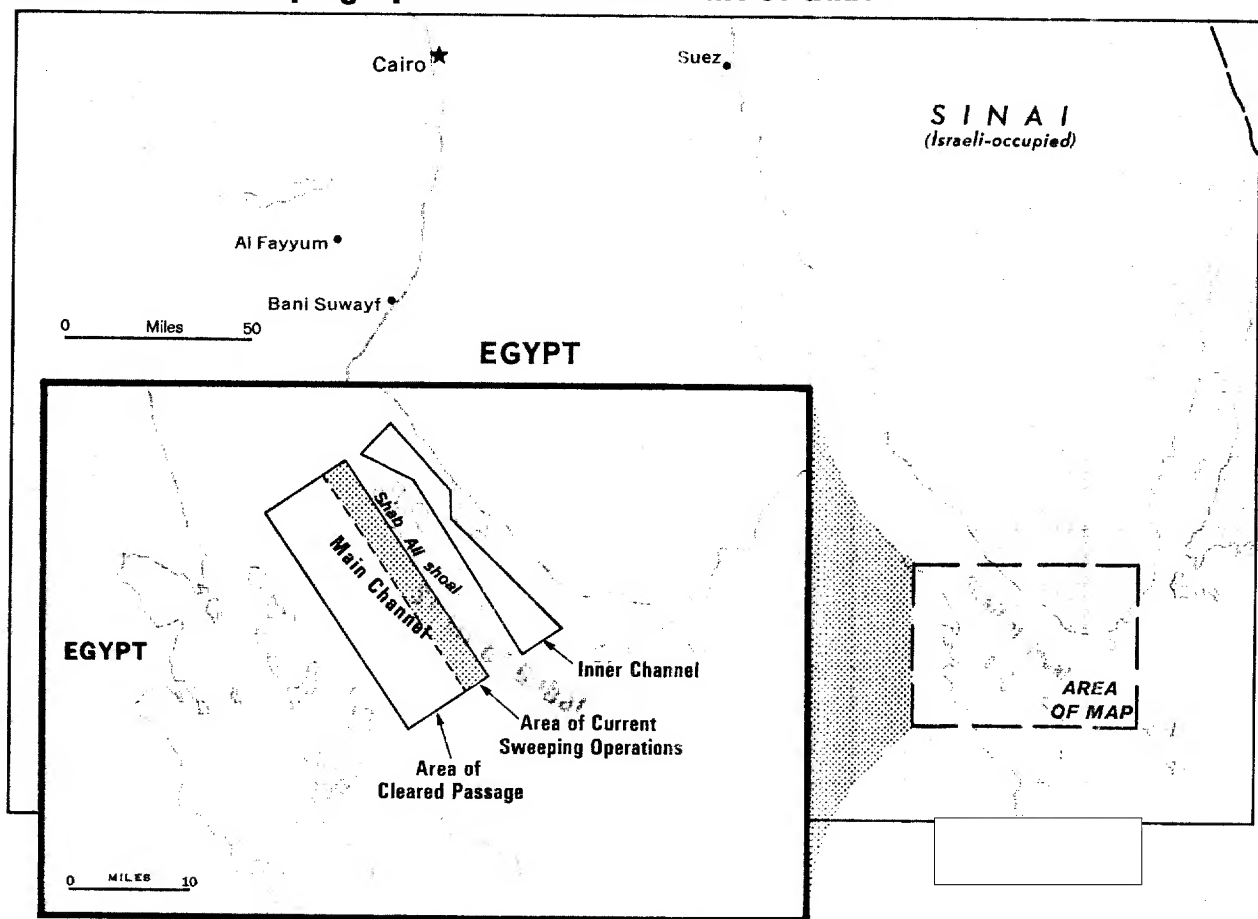
[REDACTED]

Like the cosmonauts of Soyuz 14--which joined Salyut 3 for 16 days in July--the Soyuz 15 cosmonauts were both military officers and probably performed military activities--possibly intelligence gathering--as well as scientific and biomedical experiments.

[REDACTED]

[REDACTED]

Soviet Minesweeping Operations in the Strait of Gubal



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USSR-ISRAEL

For the past four days Israeli patrol boats have been intercepting Soviet minesweepers that have penetrated waters near Sinai which have been under Israeli control since June 1967.

The Israelis claim a six-mile limit in the area and have shadowed the Soviet boats to about three miles off shore before signaling them to turn around. Two minesweepers sprayed Israeli boats with water hoses on Tuesday, but there have been no serious incidents.

The Soviets have indicated that they are willing to clear the Israeli-claimed channel, but they have not approached Israel through UN channels [redacted]

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[redacted] Israel has indicated it would permit the Soviets to sweep the area if the operation could be coordinated with Israeli defense authorities. This may be an attempt by Israel to get de facto recognition that it controls the inner channel area. [redacted]

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FRANCE - MIDDLE EAST

Paris has announced that it has decided to lift the embargo on arms sales to the Middle East "battlefront" countries. For the first time since the Arab-Israeli war in 1967, France will openly sell arms to Israel, Egypt, Jordan, and Syria.

This move has been long expected and will relieve France from the embarrassment resulting from the appearance of Libyan Mirages in an embargoed country. Egyptian President Sadat's recent public acknowledgment of the Mirage transfer last fall apparently helped sway Giscard's government to lift the embargo now.

Arms sales to the four countries reportedly will require special authorization after a case-by-case study. Although Paris has reopened the possibility of arms sales to Israel, the lifting of the arms embargo is not expected to alter France's pro-Arab Middle East policy.

France is the world's third largest arms supplier. Its arms industry manufactures an extensive range of modern air, ground, and naval equipment. France boosts arms sales by flexible prices, liberal credit terms, an energetic sales drive, and attractive licensing arrangements for in-country production.

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ETHIOPIA

Members of Ethiopia's ruling Armed Forces Coordinating Committee believe that the recent increase in US military assistance is inadequate to offset Soviet arms deliveries to neighboring Somalia. They fear that Somalia will take advantage of its military superiority and Ethiopia's domestic unrest to grab some border territory inhabited by ethnic Somalis.

The committee apparently is talking of seeking aid from Communist countries. Ethiopian officials have recently passed word of such thinking to both the US and West German embassies, and similar hints have appeared in the Ethiopian press.

Civilian officials share the military's concern over Somalia and its disappointment with the level of US military aid, but they are reluctant to turn to Communist countries. The civilians, joined by some senior military officers, seem to have had little success, however, in explaining to the younger members of the Coordinating Committee the ramifications of reorienting Ethiopia's military procurement system. The civilians will be unable to resist for long if the committee remains adamant.

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LAOS

Communist Deputy Prime Minister Phoumi Vongvichit and his non-Communist counterpart, Leuam Insisiengmay, will jointly head the coalition government during Prime Minister Souvanna's absence from Laos. The decision was announced by Souvanna prior to his departure for convalescence in France.

There had been earlier indications that Souvanna had designated Phoumi "acting prime minister," and a government announcement to that effect had been made in Vientiane on August 9.

In the end, however, Souvanna decided on a duumvirate arrangement as the best way to maintain political equilibrium during his absence.

The economy remains in desperate straits, labor problems have hit Vientiane, and major political issues--such as the dissolution of the National Assembly and the implementation of Souphanouvong's 18-point national program--are all unresolved.

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SOUTH KOREA - JAPAN

The possibility of an incident between South Korean naval patrol craft and Japanese fishing boats is increasing.

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North Korean efforts this year to pressure South Korean naval units stationed near the northern limit line--the seaward extension of the DMZ--and several attempts by Pyongyang to infiltrate agents into the South by sea have led to heightened sensitivity by the South Korean navy. Naval commanders who let North Korean boats elude capture or who are slow to take action against them apparently are severely criticized. To avoid such criticism, South Korean naval commanders could well be overzealous in their efforts to protect the coastal waters.

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JAPAN

The Japanese economy is still in the doldrums. Real gross national product during the first half of this year declined at an 8-percent annual rate, the sharpest drop among major industrial countries. Output is likely to increase only slowly in the second half.

After a sharp drop in the first three months, preliminary figures show only a slight increase in the gross national product in the second quarter. The small improvement largely reflects continued rapid export growth and inventory accumulation. Most other components making up the gross national product registered quarter-to-quarter declines. Private consumption, despite record 32-percent wage hikes in April, increased only 1 percent, while government and private investment continued to slip.

The pace of recovery will remain slow. With demand still weak and inventories already near record levels, there is little incentive for business to increase output or investment. Moreover, Tokyo plans to maintain its credit squeeze for at least several months because of continued concern about inflation.

Price increases slowed in the second quarter, but inflation remains a serious problem. The April increase in wages will largely be passed on in the form of higher prices, and this factor alone could boost inflation as much as 10 percent over the next 12 months.

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NEW ZEALAND

Prime Minister Kirk's hospitalization has forced the cancellation of his visit next month to Washington and the UN.

Kirk, who has never fully recovered from complications following varicose vein surgery in April, is now in the hospital for a six-week rest. The hard-driving Prime Minister has complicated his recovery by ignoring medical advice to lighten his workload. Overweight has also aggravated his ailments.

Kirk's press spokesman told the US ambassador that the Prime Minister's condition is not as serious as the length of his hospital stay might indicate. Although this may well emerge as the public line, Kirk's recurring medical difficulties will revive concern within his Labor Party over a successor. Kirk's fondness for center stage has kept him from grooming a successor. Deputy Prime Minister Watt has an undistinguished record, and Kirk's health problems will strengthen sentiment within the party for replacing Watt with Minister of Defense Faulkner at the party caucus meeting in November.

As Watt is expected to have his hands full substituting for Kirk, he has turned two portfolios over to other ministers, with Faulkner picking up the important Works and Development portfolio. Watt has been named acting minister of foreign affairs but said he plans to leave day-to-day matters to the associate foreign minister.

Any prolonged hospitalization that keeps Kirk out of the political scene will complicate government difficulties in dealing with severe inflation and excessive wage demands by labor unions. The opposition Nationalist Party might also see Kirk's uncertain health and Labor's lack of depth in leadership as enhancing its own electoral prospects. The aggressive new Nationalist leader, Robert Muldoon, would outshine any Labor leader other than Kirk.

Labor's commanding majority in Parliament, however, makes it unlikely that elections will be forced before the scheduled date of November 1975.

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ARGENTINA

The Argentine government is reinforcing army and police units in the industrial city of Cordoba, where a dispute with left-wing labor leaders could present President Peron with her most serious challenge since assuming the presidency.

A leftist-led strike at two large Ika-Renault automobile plants is the source of most of the recent violence. The Labor Ministry withdrew support from the striking union and its leaders were expelled by the national union. Workers and students clashed with the police yesterday after the police prevented the holding of a rally in support of the local union leaders. The protesters erected barricades in the streets, burned cars, and, in some instances, fired shots at the police. In an earlier clash on Monday between the police and workers supported by students, a worker was killed and several were injured. In addition, the assassination of a labor relations manager on Tuesday forced both plants to close their doors for a day.

In a move to return things to normal, the police yesterday ejected leftist students from several buildings they had been occupying at the University of Cordoba in support of the strike. Forty-six students were arrested. In another move to clamp down on the left, the government today closed the daily newspaper Noticias, an organ of the neo-Peronist left. Noticias is the third left-wing daily to be banned since the Perons returned to power.

The situation in Cordoba is in many ways a miniature version of the problems afflicting the country as a whole. It has both ideological and generational roots; it pits leftist Peronist workers and students against the orthodox Peronist leadership. Union leaders in Cordoba may choose this opportunity to confront Mrs. Peron and the national labor leaders who are trying to gain control of the province's labor movement.

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The crisis in Cordoba comes at a time when President Peron is trying to assert her leadership in the face of growing criticism--particularly from her military aides--of her indecisiveness and uncertainty. In two speeches on August 27, the President said she would carry out the policies of her late husband, no matter what the cost. Emphasizing the unqualified support of the military for her administration, Mrs. Peron tried to dispel any reservations the public might have about her presidency by stating that she has the "iron will" and determination to fulfill her duties. If she decides to make Cordoba a showcase for her "iron will" and the rebellious unions do not back down, serious violence will be unavoidable.

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MEXICO

President Echeverria's father-in-law was kidnaped yesterday in Guadalajara by unknown abductors. The victim, Jose Guadalupe Zuno, is the 81-year-old patriarch of a wealthy and politically influential family in the state of Jalisco. A Mexico City radio station reported that the kidnapers are members of a leftist terrorist group that operates in several urban areas.

Because of Zuno's relationship with the President, the kidnaping will be a severe test of the government's policy of not giving in to ransom demands. This stand was taken last October after an industrialist and a diplomat were abducted by leftist terrorists, also in Guadalajara. The Zuno kidnaping will also have a great impact on the business community, whose leaders are very much disturbed by the growing political violence.

The kidnaping only adds to the government's security woes. The case of Senator Figueroa, the Guerrero State political boss kidnaped by guerrilla leader Lucio Cabanas in May, remains unresolved, despite a massive search in the area of the kidnaping.

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